

hr SPECTRUM

Cornell Center for Advanced Human Resource Studies

An Interview with Eva Sage-Gavin

Corporate Social Responsibility at Gap

Eva Sage-Gavin is the Executive Vice President of Human Resources for Gap Inc. This is a research interview conducted by Dr. Patrick Wright, Professor, ILR, Cornell University.

How exactly does Gap Inc. define corporate social responsibility?

“There are really four key areas, and we think of corporate social responsibility (CSR) across Gap Inc., in these four strategic ways. The first one is this whole idea of sustainable solutions in our supply chain. This consists of working on a four-part strategy to improve working conditions, monitor factories, integrate labor standards into our business practices, and the whole idea of collaborating with outside partners to drive industry-wide change.

So that’s the first big centerpiece of how we think about CSR. The second is with our employees and making Gap Inc., a place where people can really flourish and build their careers in a positive work environment. The third is community involvement, including everything from our foundation to our volunteerism. And the fourth key area in corporate social responsibility for us is environment, health and safety. This is everything from the average store energy consumption to the safety of our stores for customers and employees to a high-level

environmental impact assessment for all of our business operations.”

While many would see the ethical sourcing and workplace issues as obvious parts of a retailer’s CSR effort, explain a little more about how you operationalize environmental responsibility, an area that is not so obvious.

“Our environmental efforts seek to ensure that we are efficient, and not wasteful, in our use of resources. For instance, we look from an environmental perspective at how we operate our stores, our distribution centers and our offices around the world. We look carefully at how we use natural resources, whether it’s for construction, for office supplies, for marketing materials. And we have a role in promoting environmental stewardship through our business. We set expectations with vendors who are external, we look at our daily business decisions around purchasing, merchandising, marketing, and facility management. We constantly track specific areas of environmental performance, things like average store energy consumption, and the health and safety rates in our facilities. We conducted an environmental assessment to identify the environmental impacts of our operations. We looked at packaging, energy consumption, waste and

In This Issue

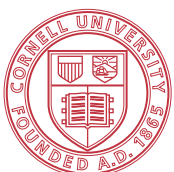
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recycling, and water quality. The whole purpose of this was to see where we were in terms of current state. We looked at 2003 versus 2004 and saw improvement and really concentrated on participating in global initiatives such as the EPA’s climate leaders program to drive further reductions in things like greenhouse gas emissions. So it is very top of mind for us to have planful, purposeful, sustainable environmental impacts that are positive.”

What are the major costs and benefits that Gap Inc. gains from its corporate social responsibility effort?

“We think that this is critical to our long-term growth and the sustainability of our business. We see there are three elements to the benefits. First is the idea of our



Cornell University

Up Close with ...

Jack Mollen of EMC

The company name EMC is not an acronym but to hear Jack Mollen, Executive Vice President of Human Resources, talk about his organization, you might assume that this high tech company's name stands for *executing on management challenges*, because that's what the HR team at EMC does, and they do it well. Want proof? *HR Executive Magazine* named Mollen the HR Executive of the Year in 2006.

Jack joined EMC in 1999 after successful executive roles at Harris Corporation and Citigroup. He arrived when the company was poised for explosive growth, and just before the burst of the dot com bubble.

Today, EMC is a thriving international company with 2006 revenues up 15% to \$11.2B. It provides products, solutions and services its customers need to meet and exceed their most demanding business and IT challenges. In the past four years, it has successfully managed the acquisition of 25 different companies and has built a nimble organization with global reach.

"Every company has a certain pace, but even for a technology company, EMC has been at the forefront as far as speed is concerned," says Jack. "Since the dot com crash, we have been through a significant transformation from a single product company to many products, from U.S. centered to global and from a functional organization to one that is very matrixed."

That transition to a matrixed and strategic HR function was one of the things that led to Jack being recognized by his peers in the HR industry. "That is one of the biggest changes we managed," says Jack. "We went from being traditional and functional to aligned with our multiple businesses so that our HR organization could effectively support our strategy as a company."

EMC is a leading provider of information



Jack Mollen

infrastructure so its customers can manage all their information assets. "As part of our strategy, we want to bring best of breed products to our customers in an integrated solution," says Jack. "Our HR organization design had to reflect that."

What is on the horizon for HR at EMC? "With the pace that we move, talent acquisition is significant," says Jack. We have to develop our people and help them see themselves as long-term players. Our HR team must make sure we have world

class talent and the infrastructure, be it skills, process or knowledge so our people can work effectively in this matrix rather than functional organizations that they have grown up in."

In addition to acquiring and developing talent, Jack mentions the global issue. "We were developing products in the U.S. and selling them globally. Now all of our business processes are global." The focus in HR is ensuring its team members are ready for the global challenge.

Aspiring HR leaders must be able to operate in a global marketplace. In addition, Jack says, "You must know your craft and know the business you are associated with. Know the role of HR and what every business unit you are associated with is trying to accomplish. How can you help them? That will make you stand out."

That's not all. Jack emphasizes that you have to be a thought leader or subject matter expert in one or two specific areas. "You may be very good at change management or having a nose for talent. You have to have one or two competencies that are world class to be noticed." It's clear that under Jack Mollen's leadership, the entire HR team at EMC will continue to be noticed for its role in helping this company compete in today's global technology market. **hr**

EMC joined CAHRS in 2000, the 'Up Close with' profiles feature interviews with leaders of CAHRS sponsors.

HR Company Profile

ITT Corporation

The telegraph may have gone the way of the 8-track cassette player, but ITT, formerly International Telecommunications and Telegraph, is still a growing and vital business. It grew out of the government's need for telecommunications security during World War II.

Today, ITT supplies advanced technology products and services in several growth markets. ITT is a global leader in the transport, treatment and control of water, wastewater and other fluids. The company plays a vital role in international security through its defense communications and electronics products; space surveillance and intelligence systems; and advanced engineering and related services. It also serves the growing leisure marine and electrical connectors markets with a wide range of products. Headquartered in White Plains, NY, the company generated \$7.8 billion in 2006 sales. In addition to the New York Stock Exchange, ITT Corporation stock is traded on the Euronext, London and Frankfurt exchanges. ITT employs approximately 38,000 worldwide. The company operates in 140 countries and communicates in at least 60 languages. ITT is well positioned to continue to grow as the markets it serves increase in importance to all humankind.

Paul Jarrell was appointed to the executive HR team of ITT in 2006. He joined the corporation after a successful career as an HR executive with Alcoa and American Cyanamid Company. Jarrell has responsibility for a complex set of businesses. "The Company is divided into three business segments: Fluid Technology, Motion and Flow Control, and Defense. My HR accountability is for the commercial or non-defense related businesses."

Paul is part of a team including the Vice President of HR for the defense group and the Senior Vice President who has corporate responsibility. "The three of us work as a triumvirate. I also partner with three centers of excellence that are responsible for talent management,

compensation and benefits and enterprise HR. These three centers manage global policies, processes and technology," says Paul.

ITT functions with a decentralized business unit structure that it calls value centers. Each one operates autonomously with a VP of HR reporting into Paul and his colleague on a dotted line basis, and reporting to the line of business executive on a solid line.

"Clearly the organization structure is one way we align to the business. But, let me underline that, it is of utmost importance that our HR partners have strong business acumen. The individual development plans for those VPs of HR are to build their understanding of the business in addition to their skills as broad professional HR practitioners. We don't do HR for HR's sake," says Paul. "Our strategies, goals and objectives are those that support the businesses' strategies, goals and objectives. We're fortunate to work in an organization where that is an expectation. There is great pull from business leaders for the HR community to be involved in setting the direction of the business."

"The number one priority for HR is talent management and a subset of that is development," says Paul. "ITT is clearly a growth business—an \$8B company aspiring to be a \$15B company. With that kind of growth on the agenda, we have to have leaders who are capable of delivering on that vision. It is also critical to maintain a culture supportive of our values, our motto "Engineered for Life" and our commitment to advancing human progress."

What is Paul's advice to aspiring HR leaders? "It's all about breadth of experience—early in one's career and throughout one's career, having experiences both inside and outside the HR function. Varied work and life experiences will help you become a stronger HR professional and business partner and give you greater perspective on how the HR function can and should add value." 

ITT joined CAHRS in 2006, the 'HR Company Profile' features a Corporate HR view of new CAHRS sponsors.


Employee Engagement: What Do We Really Know?

Spring International Meeting in Paris, France

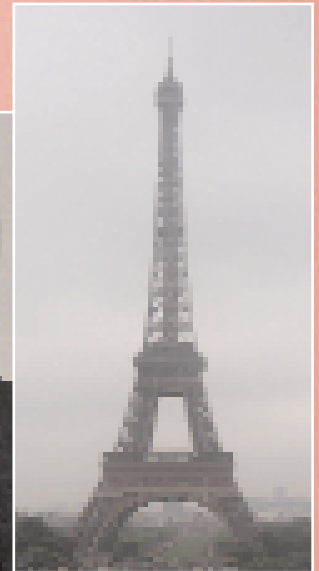
CAHRS sponsors and Cornell HR faculty met in Paris May 22 - 23, to discuss 'Employee Engagement: What Do We Really Know? What Do We Need to Know to Take Action?' Due to confusion and misdirection as to what exactly employee engagement is, the conference took the unusual approach of beginning with a debate entitled, 'Employee Engagement is Hogwash.' Affirming the resolution Professor Chris Collins, Cornell, and Peter Attfield, Vice President, Individual and Organisation Performance, Unilever, claimed that—too many definitions, inaccurate measurement, and lack of follow through on employee engagement surveys makes employee engagement initiatives ineffective. Ewout Durieux, Head of Shell People Survey Office, Shell International BV, and Marielle de Macker, HR Director, GE Money, South West Europe, General Electric, disagreed. They shared their company stories to emphasize that their employee engagement work impacts business performance.

Following the debate three individuals presented their cases for engagement. CAHRS Director, Pat Wright, shared the data from his work with SYSCO foods emphasizing engagement initiatives can build profit through building people. Melissa Thomas-Hunt, Professor of Management, Johnson Graduate School of Management, Cornell, spoke about the engagement issues preventing women from advancing into executive positions; and Colleen Rumball, Vice President, Head of HR, EMEA, American Express, spoke about the American Express engagement journey of going from good to great.

To further dialogue, panels were created to discuss four issues: Professor Quinetta Roberson, Cornell, led Professor John Hausknecht, Cornell, and Simon King, Executive Director, Business Partnering, AstraZeneca, in exploring the importance of fairness in the workplace and how engagement enhances fairness. Professor Brad Bell, Cornell, led the discussion with Isabelle Korfan-Loy, Regional HR Director Europe, AstraZeneca, Muriel Schulz, HR Director, Groupe NORISKO, and Colin Dicke, Cornell, about the impact of change on engagement. What engages a new recruit out of college can be very different from what engages a senior manager. Professor Kevin Hallock, Cornell, led Akil Walton, Corporate Manager Organizational Research, Analysis and Planning, along with Steve Peterson, Vice President, Global Talent Acquisition and HR Functional Excellence, both from Eaton, and Ian McGinty, Vice President, Head of Change, Communications and Employee Engagement Globally, Johnson & Johnson. The speakers showed data from their companies indicating that firms can generate revenues by maximizing the engagement of its workforce. Finally, how does HR make employee engagement work was discussed by Karen Vella, HR Director, P&OE, GAP Inc., Tim Stevens, Vice President of HR, France Northwest Africa, DRH IBM, and Ciaran Martin, Director of Staffing and Talent Management Europe, ALCOA, facilitated by Professor Chris Collins, Cornell.

At the close of the conference companies had the opportunity to share best practices about what has gone right and wrong and where they need to go from here. Employee engagement may be old wine in a new bottle but, many agreed that employee engagement initiatives are necessary. Initiatives can be improved but there is little doubt that people hold great—if not the greatest—potential for generating and maintaining business success. 

Eiffel Tower, Paris

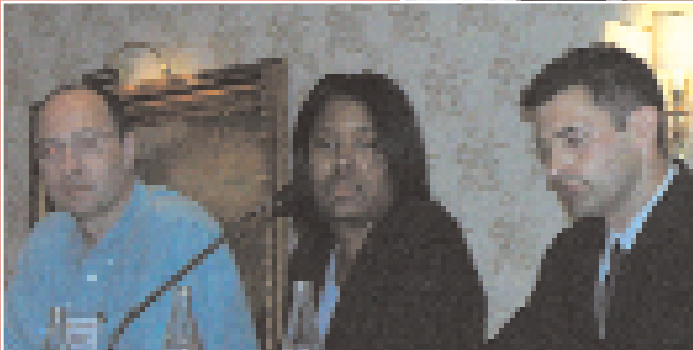


Colleen Rumball, American Express



Ewout Durieux, Shell International BV; Marielle de Macker, General Electric; Chris Collins, Cornell; Peter Attfield, Unilever

Meeting discussions



**Simon King, AstraZeneca;
Quinetta Roberson and
John Hausknecht, Cornell**



Melissa Thomas-Hunt, Cornell



**Ian McGinty, Johnson & Johnson;
Akil Walton and Steve Peterson, Eaton**



**Tim Stevens, IBM; Ciaran Martin, Alcoa;
Karen Vella, Gap, Inc.**



**Colin Dicke, Cornell;
Isabelle Korfan-Loy, AstraZeneca;
Muriel Schulz, Groupe Norisko**

*CAHRS Hosts Three Working Groups***Executive Compensation**

Over the past year CAHRS has had three productive “working group” meetings on Executive Compensation. The meetings were started out of sponsor interest in recent changes in executive compensation disclosure rules in the United States and in recent changes made by the Financial Accounting Standard Board on options expensing.

The first session was held in New York City in September 2006 and hosted by Pam Kimmet at Bear Stearns. The second meeting was held in San Francisco in December 2006 and was hosted by Alma Nikl at Sun Microsystems. The final session was hosted by John Bradley at JPMorgan Chase & Co. in New York City, in June of 2007. We are grateful to these sponsor firms for generously providing support and space for the working groups.

A variety of subjects were covered over the three sessions. Subjects included basics of the new disclosure rules including details and examples from firms, options, restricted stock, performance shares, relative compensation, Sarbanes-Oxley, corporate governance, discussions of stakeholders and the press, whether new rules are changing the mix of pay, ownership requirements, peer groups, perquisites, selecting a consultant, new demands on board members and compensation committee chairs, board recruitment and retention, diversity, and the executive pay horizon.

Discussions were frank and open and many ideas were shared across firms. More than twenty-five CAHRS sponsor firms sent at least one representative to participate in the discussion. Several attended multiple meetings. Participating firms included some that are not publicly traded (so they do not have to disclose compensation) and European-based firms.

The sessions were lead by Kevin Hallock, Professor of Human Resource Studies and Labor Economics in the ILR School at Cornell. 

If you have any questions about the working groups, or are interested in participating in future sessions, please contact Kevin at 607-255-3193 or kfh7@cornell.edu

PARTICIPATING SPONSORS**Aetna****American Water****Aon Corporation****Bausch & Lomb****Bear Stearns****Capital One****CIT Group****Danaher Corporation****Dell****Diageo****Dow Jones****Eaton****Fidelity Investments****General Mills****JPMorgan Chase & Co.****Northrup Grumman****Pacific Sunwear of California****PNC****Verizon****Shell****Sun Microsystems**

Corporate Social Responsibility at Gap

Continued from Page One

employee attraction and retention. Our employees tell us they want to work for a company that's socially responsible and they tell us through a variety of channels that they love working for a company that they believe is doing what's right. The second piece for us is a better supply chain. We know that better factory working conditions lead to better factories, and better factories make better products. The sourcing team can also select and make better buying decisions. We also introduced an integrated scorecard into the retail industry that gives factories feedback and scores on criteria such as quality, innovation, speed to market, and cost, and it considers the manufacturers' compliance history. Finally, our focus on sustainability creates win-win scenarios for everyone involved in our environmental impact. When we reduce our energy usage we also reduce cost. Obviously that's a win-win all the way around."

In what ways does the HR function help to promote corporate social responsibility within Gap Inc.?

"One where HR plays a big role is our commitment to employees and our focus on the work environment. We strive very hard to deliver a positive work environment investing time, attention and resources towards it. The ultimate goal is really simple, we want people to be treated fairly and with respect and integrity, whether they work for us as an employee, with us as a vendor partner, or shop in our stores as a customer. We have developed and communicated a code of business conduct regarding how we expect people to behave within our environment in any country in which we do business. We also actively seek to maintain a values-based culture. When we bring new people into our company as employees we talk with them about the purpose, values and behaviors of Gap Inc. and then we reinforce that with our leadership teams. HR also supports this effort with competitive rewards and benefits. We talk about the health and well-being of our employees, and we provide things like comprehensive health care for employees who work over 30 hours or more a week. And we've just started offering access to health care to our part-time employees who work less than 30 hours a week.

We also foster an environment of open communication with employees. We conduct formal and informal employee opinion surveys, we have open-door channels

and we have hotlines for code of business conduct. We have an online channel where employees can tell us anything they want and it is reviewed at the highest levels, whether it's around our environment, around our corporate social responsibility, or around our code of business conduct. And we actively respond and follow-up on any claims or issues."

What do you think is the future of corporate social responsibility? Is this a paradigm shift, or is this just a temporary fad?

"I can only speak to our environment, but I can say confidently that it's a critical part of our long-term growth and sustainability of our business. We know that our success depends on our employees and it depends on creating value for our shareholders, but ultimately it's about the customer experience and their desire to purchase great products. We know that we won't do that without employees who aren't engaged, satisfied, proud to work here—employees that want to exceed our customer's expectations. It's a very competitive global environment. We also know that improved factory working conditions leads to better factories, and that leads to a better supply chain. That's

why some of these tools we've talked about provide a simple, clear, transparent way to make really good decisions for partners that are like-minded about CSR. The thing I'm probably most proud of though—and I think other forward-looking global retailers and global brands will have to think about this—is this must be sustainable in good times and bad. If you look at the last two years since we've published this report in May of '04, our CSR efforts have continued, even though our financial performance has not been as high as we would like. So whether it is looking back at the last two years or any prediction of the next eight, at Gap Inc. this is a long-term commitment. So I think it's easy for Gap, Inc. CSR is just critical to who we are, what our brand stands for, and it is absolutely essential to sustain." 

For more information regarding this research please contact Patrick Wright via email: pmw6@cornell.edu, or Tel: 607-255-3429. This article references research from the CAHRS Working Paper #06-14, which can be found on our web site: www.ilr.cornell.edu/cahrs/paper.html .

Finally, our focus on sustainability creates win-win scenarios for everyone involved in our environmental impact.

CAHRS EVENTS CALENDAR 2007

ILR Orientation and CAHRS Executive Roundtables August 21, 2007 Ithaca, NY

CAHRS Fall Sponsor Meeting November 14 - 15, 2007 Ithaca, NY

*For more information, contact Jo Hagin at 607/255-9358 or email: jap7@cornell.edu, or visit our website at:
www.ilr.cornell.edu/cahrs/Calendar.html*

ILR Executive Education & Events

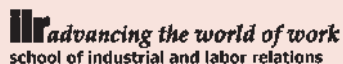
Maersk International Human Resource Programme September 1 - 2, 2007 Copenhagen, Denmark
HR History Theory Session

HR Strategy: Creating Competitive Advantage Through People September 24 - 28, 2007 Ithaca, NY

Shell Custom Program October 21 - 26, 2007 The Hague, The Netherlands

Managing for Impact: November 7 - 8, 2007 Miami Beach, FL
HR Metrics and Firm Performance

*For more information, contact ILR Executive Education at 607-255-5882 or e-mail: ilrexec@cornell.edu, or visit our website at:
ilr.cornell.edu/execed to view our Brochure.*



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